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COUNCIL OF STATE DEBATES

VOLUME I, 1933

(16th February to 15th April, 1933)

FIFTH SESSION

OF THE

THIRD COUNCIL OF STATE, 1933

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COUNCIL OF STATE.

Tuesday, 21st February, 1933.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Rai Bahadur Lala Mathura Prasad Mehrotra (United Provinces Central : Non-Muhammadan).

RESOLUTION *RE* PURCHASE OF STORES THROUGH THE INDIAN STORES DEPARTMENT.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Mr. President, I beg to move the following Resolution :

" This Council recommends to the Governor General in Council that in accordance with the recommendations of the Stores, Printing and Stationery Retrenchment Sub-Committee (*i*) definite orders should be issued to all departments that all stores, other than those of a specially technical nature, should in future be purchased through the Indian Stores Department, and (*ii*) an Advisory Committee, presided over by the Member for Industries, be appointed to review from time to time how far the policy of Government regarding the purchase of stores is being given effect to."

Sir, one of the recommendations made in their final report issued in September last by the Stores, Printing and Stationery Sub-Committee of the Retrenchment Advisory Committee, which was presided over by my Honourable friend Mr. Natesan, was that in the interests of the general taxpayer, the Government should issue definite orders that all stores, other than those of a specially technical nature, required by any department of the Government of India, should in future be purchased through the Indian Stores Department. The question of the purchase of stores has been receiving the attention for a long time now of the Indian Legislature and other representative Indian bodies, which have been insisting that the Railways and other purchasing departments should make their purchases through the Indian Stores Department. And although nearly half a century ago the Government of India enunciated their policy of substituting for all State purposes stores of indigenous manufacture and origin for stores produced abroad and prescribed by rules regulating the purchase of stores for the public service that preference should be given to articles manufactured wholly or partly in India over stores of like description manufactured abroad, it is well known how, in spite of the preference laid down in the rules, the Indian Industrial Commission of 1918 found that the manufacturing resources of the country were not being availed of to the fullest extent possible by purchasing officers owing to one reason or the other. And though when this Indian Stores Department was first established in 1922, the then Commerce Member definitely

[Rai Bahadur Lala Jagdish Prasad.]

stated that it would purchase not only for the State Railways but for the Company Railways and other departments as well, all materials which could be procured in India, through the agency of the Indian Stores Department, we know that in spite of the assurance given by Sir Charles Innes only an infinitesimal portion of their total purchases of stores are made by the Railways through the agency of the Department. In 1930-31, for instance, out of the total purchases of about Rs. 18 crores worth of stores made by the Railways, my information is that a little more than Rs. 1 crore worth of stores were purchased through the Indian Stores Department. I can quite understand the inability of the Agents of Railways, who do not happen to be Indians, to realize the vital importance to India of the encouragement of indigenous industries, but the Indian Legislature and other representative Indian bodies which are keen on the development of Indian enterprise and Indian industries, just as the Japanese or Englishmen are anxious to promote the interests of their respective countries, cannot tolerate this disregard of Indian wishes and Indian interests for any length of time. And the Government, having once given an assurance that all stores which could be procured in India would be purchased through the Indian Stores Department, must do what lies in their power to carry out their undertaking. Another big consumer of stores is the Army Department, which is even less amenable to the influence of Indian public opinion in respect of this as also other matters. Its purchases through the Indian Stores Department in 1928-29 amounted to less than Rs. 1½ crores. Explaining the attitude of the Army Department to the Indian Stores Department the Master General of the Ordnance stated in a memorandum submitted to the Public Accounts Committee :

"The policy of the Army has been and is to purchase the requirements of the Army at the lowest possible cost, irrespective of the purchasing agency. The Army is treated as a commercial department. It cannot afford to purchase in a dearer market merely to provide orders for a purchasing department".

The Army Department's anxiety to save the taxpayer's money is not unknown to me. But the claim of the Indian Stores Department is that owing to the large purchases which the Department makes it would be advantageous to the Army authorities to transfer all their purchases to that agency. Why then the Army Department should continue to disregard the existence of the Indian Stores Department one is unable to understand.

I have briefly dealt with the state of things prevailing, so far as the purchase of stores is concerned, in the two most important departments under the Government of India, namely, Railways and the Army, which are the consumers of stores. I do not suppose that the conditions are dissimilar in other departments, inasmuch as the Sub-Committee have generally observed that the growth of business handled by the Indian Stores Department is small and that the volume of work handled by the Department has not reached the figure visualised by the Stores Purchase Committee. If, therefore, the Government of India have the interest of indigenous industries at heart, it behoves them to accept the recommendations of the Stores, Printing and Stationery Retrenchment Sub-Committee in this behalf and without loss of time issue orders to all departments about the purchase of their stores through the Indian Stores Department.

Now, another recommendation of the Stores, Printing and Stationery Retrenchment Sub-Committee is that an Advisory Committee, presided over by the Member for Industries, should be appointed to review from time to

time how far the policy of Government regarding the purchase of stores is being given effect to. In this connection the Sub-Committee observe as follows :

"In connection with the complete centralisation of the purchase of stores for public departments of the Central Government, it has been suggested to us that a Stores Committee should be established consisting of the Secretary in the Department of Industries and Labour, the Chief Controller of Stores, a Member of the Railway Board, the Quartermaster General and one Member each from the Central Legislature. In our opinion the Government of India will find the assistance of such a Committee, including representatives of their two big consuming departments, to be of very great value in facilitating the successful inauguration of the new policy which we have recommended. We therefore strongly support the suggestion for the appointment of the Advisory Committee on the lines indicated and desire further to add that this Committee should be presided over by the Member in charge of the Department of Industries and Labour, as we attach considerable importance to the Member keeping himself in close and continuous touch with the working of the Indian Stores Department. The functions of the Committee will be to advise the Government of India on all important matters affecting stores purchase, and to review from time to time how far the policy of Government in regard to stores purchase and the recommendations of the various committees appointed by them are being given effect to. We consider too that this Committee should be constituted as early as possible and should meet as often as may be necessary ".

I think, Sir, that the remarks of the Sub-Committee leave no doubt as to the importance of an Advisory Committee being appointed on the lines suggested, and this is what I have recommended in the second part of my Resolution.

In conclusion I may point out that in the last session of the Council I interpellated the Government on the subject and inquired what the intention of Government was with regard to these two recommendations of the Stores, Printing and Stationery Retrenchment Sub-Committee, and the Honourable Mr. Shillidy replied that these recommendations were under consideration. I hope that by now the Government must have made up their mind in this behalf and hence they will see their way to accept my Resolution.

Sir, I move.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, I have great pleasure in supporting the Resolution moved by my Honourable friend Lala Jagdish Prasad. If my information is correct, Sir, the Indian Stores Department was constituted in 1922 and it was recommended by the Stores Purchase Committee when that Department was constituted that probably stores worth Rs. 8 crores would be purchased through this Department by all the departments of the Government of India. I think Government should have no objection whatsoever in accepting this non-controversial Resolution. The Indian Stores Department is a creation of the Government and I fail to understand as to why the other departments of Government do not purchase their stores through this Department. I am given to understand that a very small portion of the stores has been purchased through this Department during the last 10 or 11 years. My Honourable friend has mentioned in his Resolution that the departments are free to purchase stores of a special character through other agencies, but articles manufactured in India should be purchased through the Stores Department for the use of the various departments of the Government of India. I think, Sir, that the Government of India and the various departments who require the stores should purchase stores which are manufactured in India and thus give an impetus to Indian industries. It is really worth while, Sir, to mention here that as in other countries the various Governments are keen to purchase their stores manufactured in their own country, so the Government of India

[Mr. Vinayak Vithal Kalikar.]

should also be keen to purchase those stores which are manufactured in India; thereby they would not only help indigenous industries but they would be able to get their stores cheaper, because those articles are manufactured in India.

The second part of my Honourable friend's Resolution also deserves acceptance by the Government. He only requests Government to appoint an Advisory Committee to watch the working of the Indian Stores Department. I think it is a most reasonable request, and if the work of the Indian Stores Department is to be carried on regularly the Advisory Committee is needed. He has mentioned in his Resolution that the Member in charge of Industries should be the Chairman of that Committee. That request also is very very reasonable. I therefore recommend this Resolution to the acceptance of this House and I hope it will be supported by all Parties in the House.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWÁMI CHETTI (Madras: Non-Muhammadan): Sir, I have very great pleasure in supporting the Resolution. It is a very legitimate request of the House that Government should accept this Resolution. After all, the matter was gone through very carefully in the Retrenchment Committee and they thought that all the departments ought to purchase through the Stores Department which has been opened specially by Government. I do not see that there will be any difficulty from the point of view of the Government in accepting the Resolution. I therefore most wholeheartedly support the Resolution moved by my Honourable friend.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, I beg to support the Resolution of my Honourable friend Rai Bahadur Lala Jagdish Prasad which has been so ably moved by him. The demand of my friend is so modest that it should be endorsed by all of us here and should be accepted by Government. The recommendations of the Stores, Printing and Stationery Retrenchment Sub-Committee which was presided over by our Honourable friend Mr. Natesan, are so reasonable and practicable that Government should give effect to them and if given effect to, will, I think, bring about a financial saving to Government.

Sir, with regard to the first part of the Resolution of my Honourable friend, I should like to advise Government that they should remember India in all their purchases for the departments concerned with a view to giving practical encouragement to Indian industries and that the Indian Stores Department be so advised.

And then, Sir, as regards the second part of the Resolution of my friend, the suggestion for the appointment of an Advisory Committee for the purpose stated clearly in the Resolution, is so sound that it should find favour with Government and they should have no difficulty in appointing such a Committee. In this connection, I should like to add one word more to what I have already said, and it is that in the matter of the composition of the proposed Committee there should be at least three Members of this Honourable House on it.

In fine, Sir, I need hardly say that the Honourable the mover has made out a strong case for the necessity of his Resolution which should be adopted by this House and Government.

With these few words, Sir, I heartily support the Resolution.

THE HONOURABLE Mr. G. A. NATESAN (Madras: Nominated Non-Official): Sir, I am sure the House will feel grateful to the Honourable Mr. Jagdish Prasad for having brought forward this Resolution, and given his arguments in support of the recommendations of the Stores Purchase Committee. If I may say so, the terms of this Resolution are almost identical with the terms of the recommendations of the Sub-Committee over which I had the honour to preside. When the Stores Purchase Committee recommended the establishment of the Indian Stores Department it anticipated and very rightly indeed that at least it would be able to effect purchases worth Rs. 8 crores. We very much regret to find that despite the best efforts put forward by the Chief Controller of Stores, Mr. Pitkeathly, the figure has not gone beyond one-half of the amount originally estimated. If I may say so, the two largest buying departments, that is the Railway and the Military, till very recently had not taken kindly to the work of the Indian Stores Department. Perhaps by constant pressure, by peaceful persuasion and by personal relationship, Mr. Pitkeathly, the Chief Controller of Stores, has been able of late to persuade the Railway Department to go in for more but I am not sure that his endeavours with regard to the Military have been of much success. Indeed, in this as in other matters the Army Department has been giving the greatest amount of trouble. Our Committee had the opportunity of examining the representatives of the Railway and the Military. We examined Sir Guthrie Russell, Sir Alan Parsons and two officers of the Army Department, one of them being the Director of Contracts. So far as the Railway is concerned Sir Guthrie Russell has, I believe, for some years past been trying to give some orders to the Indian Stores Department. I believe they have got a practice of meeting from time to time and giving instructions to their officers concerned to increase the list of articles that can be purchased through the Stores Department but I must confess that the volume of business given to the Stores Department is not at all commensurate with the very large purchases which that Department makes. It has been very rightly pointed out by the Honourable Mr. Jagdish Prasad that in one year they made purchases to the extent of Rs. 8 crores and the orders to the Stores Department did not cover even a crore and a half. It is very poor indeed. But we had the assurance of Sir Guthrie Russell and the other representatives of the Railway Department,—perhaps I should say that we had a joint meeting of the Stores Committee and the Railway Committee, but both the Committees felt that more orders should be given to this Department and I do hope that since we left him last, Sir Guthrie Russell has given instructions to his Department to make increased purchases.

So far as the Army Department is concerned, not only our Committee but the General Retrenchment Committee which went over the question of the general purchase of stores were of opinion that there is very much room for the Army Department to utilise the Stores Department. I very much regret to say that the impression left on that Committee and my own Committee was that the Army Department was not doing its best to encourage the Indian Stores Department. The argument generally advanced is that during a time of war a body like the Indian Stores Department will not be able to give all the articles that are required and the Military would commandeer and get things. But it was easily pointed out to the representatives of the Army Department that that weapon was always available, that during a time of war the Military Department could compel people to give the goods required to the officers of the Stores Department as well.

Sir, as has been pointed out, our report was submitted to the Government only in September last. Since then from inquiries I find that the Chief

[Mr. G. A. Natesan.]

Controller of Stores, Mr. Pitkeathly, the officer who has been working in this Department, has been on leave all this time—he will be back here by the 10th March, and if the Government have not already taken steps to give effect to the recommendations of this Committee, I certainly expect them to take early steps to see that the recommendations of this Committee are not merely recommendations made on paper. I believe we have a very good case and there is absolutely no doubt and there is no denying the fact that, despite the assurance given by Sir Charles Innes some years ago, up to now no effective steps have been taken to ask these two departments concerned, the largest consumers if I may say so, the Railway and the Military Departments, to come to the help of the Stores Department. If they transferred a good number of purchases to the Stores Department I think to that extent they would be increasing the utility of the Stores Department. They will make that Department pay, be self-supporting, and the Public Accounts Committee, if I am not mistaken, has been year after year stressing this point. I do hope that the Department of Industries and Labour which is presided over by my Honourable friend Sir Frank Noyce will, if it has not already tackled this question, take the earliest opportunity to see that the recommendations of the Stores Department are given effect to.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to support the Resolution which has been so ably moved by my Honourable friend Rai Bahadur Lala Jagdish Prasad. The Honourable mover and the Honourable Mr. Natesan have dealt with the subject of the Resolution in detail and very exhaustively and so there is no need for me to say much. But I want to make one observation and that is that when the Government of India do decide to embark on a certain policy, which they did in the establishment of the Indian Stores Department, that policy should be faithfully pursued to its logical conclusions. The Indian Stores Department ought to be given practically all the Army and Railway purchases other than that of a technical nature and by doing this the Indian industries will be better patronised and a good deal of saving will also be effected in establishment and other charges.

THE HONOURABLE SARDAR BUTA SINGH (Punjab: Sikh): Sir, I have great pleasure in supporting this Resolution as it seems to me to be essential that the Indian Stores Department should promote indigenous industries. The Stores Department has already done good work, but there is still a wide scope for the Department to set up standards and to secure all supplies in the country itself. Since the fall in the prices of agricultural produce and the closing down of export markets there seems no other alternative but to turn our raw produce into manufactured articles so that the agriculturist may get a better price for his produce. The Stores Department can help a great deal by placing all its orders in the country itself. The Railway Budget discloses that 2,500 wagons are to be purchased in the year 1933-34. I hope that these wagons will be built in the railway workshops and out of Indian material. All the requirements of the Army, the Railway and the Civil departments should be met in India as far as possible. The Stores Department should display their samples so that artisans and industrialists may manufacture upto its standards. I am very glad to give my support to this Resolution.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I do not think that there is even one dissentient voice

in this House in regard to the Resolution moved by my Honourable friend Rai Bahadur Lala Jagdish Prasad. There is one information that I seek, as I found that even the Honourable Mr. Natesan, who so ably presided over the Retrenchment Sub-Committee of the Stores Department, did not give that information, and that is, what was the proportion of indigenous articles against foreign articles that they bought *whether through the Indian Stores Department* or not ? That is the real point which affects this question so far as the country is concerned. The question is whether Indian indigenous articles were bought, more than foreign articles, whether bought through the Indian Stores Department or through any other ? It makes very little difference to the country if the Government of India buy through Departments other than the Indian Stores Department so long as they buy indigenous articles. I do not think my Honourable friend Rai Bahadur Lala Jagdish Prasad has moved his Resolution as a sort of apology for the Indian Stores Department, because I am sure that the Indian Stores Department will be able to defend themselves without the help of my friend Lala Jagdish Prasad. All that we are interested to know is whether the Government of India, who are buying things, either through the Stores Department or through other departments are really buying more Indian goods than goods of foreign manufacture.

THE HONOURABLE MR. J. A. SHILLIDY (Industries and Labour Secretary) : Sir, I have listened to the discussion on this Resolution with very great interest, and if I may say so, it was a great pleasure to hear that so many of the Members of this Council have such confidence in the Stores Department which I represent that they would put all the purchases for the Government of India under them. There are just two points, however, that I would like to make before I go on to the general proposition. There seemed to be a suggestion— I do not know if it was quite clearly made, but I seemed to gather it— that the Railway Department and the Army Department were not using the Stores Department. I hope that was not the suggestion because it would be not according to the facts. The Army Department and the Railway Department have in an increasing degree resorted to our agency and as representing the Stores Department I should like to make a cordial acknowledgment of the way in which they have met our demands in this respect from time to time. Any impression that may be abroad that the Railway Department and the Army Department are inexorably opposed to allowing us to do any of their work is entirely wrong. The Honourable Mr. Natesan has referred to Sir Guthrie Russell's help to the Department, and I too would like to acknowledge it. Year by year, our orders from the Railway Board have been growing. I might say exactly the same about the Army Department. All that the Army Department really ask from us is the very natural and simple question, " Can you purchase as efficiently and as cheaply for us as we can purchase for ourselves ?" Where we have been able to show that we can purchase as cheaply and as efficiently for the Army Department as they can do for themselves, I for one have found no obstacles on the part of the Army Department to allowing the Indian Stores Department to do their purchase for them. I hope I have made that clear and that there is not any desperate refusal on the part of these two departments to have anything whatsoever to do with us.

The other point that came up was the one which Mr. Basu and others made. He said, " After all, the main question is always to what extent you are supporting Indian industries." I am sorry I have not got the figures with me. Had I known that this particular point would come up, I would have

[Mr. J. A. Shillidy.]

come armed with figures and I would have been able to show to you conclusively that year by year our purchases in India of Indian goods are increasing to an enormous extent.

There is another point. A short time ago, under pressure from the Legislature, we adopted the rupee purchase policy. The result of that has been that tenders have to be made for delivery in India, and that is having an effect in many ways. It is not only increasing the amount of Indian goods we buy, but it has gradually led to the establishment of branches of firms and offices in India and has made firms outside India feel that they have got to come out here if they are to get any of our business. That was one of the direct objects in the change to a rupee purchase policy. It was one of the definite objects for which Members of the Legislature asked that this policy should be introduced, namely, that we should attract firms to India.

I think the suggestion was made that the Army Department and Agents of Railways were indifferent in the matter of purchasing Indian goods. I do not think I need go into that very much as regards the Agents, because they will answer it themselves, but I can assure you that I see no signs of any such tendency. As regards the Army I have been given some figures which I think will impress the House. Practically 100 per cent. of their requirements in the way of lethal weapons are manufactured in India, about 63 per cent. of medical stores and 72 per cent. of other stores such as clothing, foodstuffs, constructional material, oils, paints, greases and petrol are manufactured or purchased in India. If the whole object of this debate really is to find out to what extent we are helping Indian manufactures, my reply is that in those figures I have a most satisfactory answer to give. I would like to assure the House that the Government of India have not been idle over this recommendation of the Stores Purchase Committee. We took the matter up at once with the other departments, but the question is not an easy one. Very naturally, as representing the Stores Department, I can see the Stores Department's case, but I am bound to admit that both the Railway and the Army Departments have a good strong case for what they say. It is not an unreasonable case; it is a fair case, and it is a case which must naturally be considered. The Government of India have not yet been able to reach a decision in regard to these conflicting claims. We hope, however, to reach that decision as soon as possible and I can assure the House that all that has been said here this morning and all that was written in the Retrenchment Committee's report will be given the very fullest consideration before the Government of India reach any decision at all in the matter. I can give them that assurance without any hesitation whatsoever. Until we have reached that decision I cannot of course accept a Resolution which commits Government to one particular line, but I hope that the Honourable Member, in view of what I have said and in view of the assurance that I have given that all that has been said here today will be borne in mind and examined very carefully before we come to a decision, will agree to withdraw his Resolution.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I am grateful to my Honourable friends who have supported my Resolution. I am still more grateful to the Honourable Mr. Shillidy for the sympathetic manner in which he has replied to the debate. As Mr. Shillidy says that the Government of India have not yet reached a decision in the matter which is still under consideration and that the recommendations of the Stores, Printing and Stationery Retrenchment Sub-Committee will be given the fullest consideration, I think I need not press this Resolution to a division. I hope

that the second recommendation, namely, the appointment of an Advisory Committee, will also receive the sympathetic consideration of the Government, about which I am afraid Mr. Shillidy has given no indication.

With these words, I beg leave to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION *RE* RESTORATION OF THE CUT IN SALARIES ONLY WHEN THE SURCHARGE OF 25 PER CENT. IS ABOLISHED.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, I rise to move:

"That this Council recommends to the Governor General in Council to restore the cut in salary only when the surcharge of 25 per cent. imposed by the second Finance Bill of 1931 is also abolished."

My Resolution is so eminently just and equitable that I need not detain the House by a long speech or array of figures seeking to convince them of the equity of this Resolution. I would not be honest if I were to say that this announcement of Government restoring 5 per cent. of the cut in salaries came to us as a surprise. The present Government of India, bureaucratic as it is, leaves us prepared for even worse things than this. I thought it was rather kind of them to restore only 5 per cent. When the second Finance Bill was presented to us in 1931 during the Simla session the impression that we got from the speeches of the Honourable the Finance Member and the Finance Secretary was that a co-ordinated measure was being taken to balance the Budget. To meet the Budget deficit three lines were taken: the first was retrenchment, the second was additional taxation, and the third item was cuts in salary. The principle of equality of sacrifice was urged by the Honourable the Finance Member in justification of the cuts in salary. I do not know how the circumstances have so far changed that that equilibrium can be maintained by abolishing one item only and leaving the other two precisely as they were. The fact that the Government of India expect to bring to us on the 28th February a good Budget with a surplus of something like Rs. 6 crores is not justification enough for this restoration of the cuts. I will try to prove to the House how, even with a Rs. 6 crores surplus, we are not justified in restoring the cuts. The surplus that we expect to get in the present year is made up of items that we cannot rely on. A good part of it will be made up of increased customs income, which is due to the unchecked flow of gold from India. Had that not been allowed we would not have been able to get this artificial balance of trade in our favour, and imports would have exceeded exports. The decrease in our debt charges is of a permanent nature and this only could be utilised for restoring cuts in salary. But the saving under this head is much less than the additional cost which the Government of India will have to incur on account of the restoration of 5 per cent. of the cut. As I have said, the excess that we expect to have does not justify the restoration of the cut. The reason is that a cut in salary was not made by the Government of India alone. This measure of economy is spread like a fire throughout India. Local Governments, public institutions like universities, hospitals and public bodies of all kinds resorted to cuts in salary. Even though the finances of the Government of India have improved, we have no reason to believe that the finances of other Governments and public

* Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

bodies have increased to the extent of enabling them to take on the additional burden of restoring 5 per cent. of the cut they have imposed with equanimity. On the 6th December, 1932, the Secretary of State for India at the third Round Table Conference stated that 7 out of the 9 Provincial Governments in India expected to end this year with a deficit. In the face of this definite and authoritative statement by a responsible person, it was, to say the least, a most unwise step on the part of the Finance Department to restore 5 per cent. of the cut. I think that the cost of restoring this 5 per cent. to the Provincial Governments would amount to about Rs. 2 crores. In addition to that, we learnt with the presentation of the Railway Budget on the 16th instant that the Railways have to find an additional crore for the restoration of this 5 per cent. Other public bodies, like universities, municipalities and district boards will also have to find about a crore if they are to restore half the cuts in salary. Add to this the loss which I am sure the Department of Mr. Shillidy, I mean the Posts and Telegraphs, will show. All these considerations I think should have acted as a brake on the Finance Department in embarking on this scheme.

I was rather surprised when in the course of discussion on the Railway Budget my Honourable friend Mr. Mehta made the astounding statement that the additional surcharge on income-tax would be greater than the restoration of the 5 per cent. cut in salary. I verified the figures and was very sorry to find that the figures were not correct. The utmost losses which the highest paid officials will bear will be about 3·8 per cent. and in the lower grades, up to Rs. 2,500 per mensem, it will not be even 2½ per cent. In this connection I should like to urge upon the Government that whatever they have done they cannot undo ; that would be asking too much ; but at least we can be wiser in future. It has been announced in this connection that the existing 5 per cent. cut is only limited to the year 1933-34. It is therefore imperative that we must have an indication from Government that they do not intend to throw on the general body of taxpayers the additional burden, not only of the Government of India, but of other public institutions for the restoration of the cut without a substantial improvement in the finances of all concerned, not only of the Government of India. It is for this reason, Sir, that I thought that it should be coupled with the disappearance of the 25 per cent. surcharge, because when the finances of the Government of India have so far improved as to allow it to do away with all the surcharges that will be time enough and that will give a perfect indication that the general finances of the country as well as the purchasing power of Indians has materially increased. I have no grievance against this. My only trouble is that we must swim or sink together. I do not want to leave them alone, although the Government were a little selfish in trying to improve their position alone and leaving the general body of taxpayers in their present condition without doing anything whatever to relieve them. When I sent in this Resolution of mine at the end of January, 1933, the announcement of the 5 per cent. restoration was not made, but as I was expecting it I purposely left out the words " 10 per cent. cut " ; I did expect that they would make some restoration. Therefore the operative part of my Resolution only comes in about this remaining 5 per cent. But I would request the Government to give an indication in the budget statement that they are not unmindful of the interests of the general body of taxpayers, who are already overburdened with all sorts of taxes. Income-tax, as is well known, was increased by the first Finance Bill, and over and above that a surcharge was imposed of 25 per cent., and it would be a very welcome relief if at least a part of the surcharge is taken away this year. As regards the salt tax, there cannot be two opinions about it. The whole of nationalist India has always regarded

it as obnoxious and any relief in that direction would be welcome and it would give widespread relief because every person, from the poorest up to the highest, would save something out of this. I would urge upon the Government, in addition to giving us some relief this year, the advisability of restoring the cuts only when the whole of the surcharge is abolished from the Finance Act. In this connection I should like to draw the attention of the Government to the condition of the country. In the present depression of trade and decreased cost of our produce it is essential that some relief should be given to the general body of taxpayers if a good atmosphere is to be created for the successful introduction of the Reforms, because in the present condition of mind, coupled with the distress, it would be very difficult, in the face of the persistent propaganda on the part of others to discredit the Government, to establish a calm atmosphere and to work the Reforms successfully.

Sir, I move.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, I rise to support my Honourable friend in so far as his concluding remarks are concerned. I too, like him, was disappointed when I heard the announcement that a partial restoration of the cut was to be made, but the decision having been made anything I can say is not likely to alter it. I think, however, that it is not an unfair request to make, that the Government should give us an assurance that no further restoration of the cut will be made until such time as the surcharge is also removed. To that extent I support the mover of the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to support the Resolution which has been so ably moved by my friend the Honourable Mr. Hossain Imam. I have not been able to understand the impatience and the indecent hurry with which the Government of India arrived at this decision. It was proper for them to do so after the presentation of the Budget. We would have then known what actually the position of the Government finances was. Sir, this indecent hurry in the matter makes us suspect that the Government finances have not improved and they were mindful that if they brought this up at the time of the presentation of the Budget public opposition would be so strong that they would not be able to face it. I might say, Sir, that in these times of unprecedented economic depression, those persons who have been on fixed salaries have been the most fortunate. Others, whether business men, lawyers, or zemindars, have all lost very heavily; some of them have lost 90 per cent., some 70 per cent. of their income, and so on and so forth. But the loss to Government servants has not been over 10 per cent. We have a proverb, Sir, which, if translated into English, means that those in power whenever they got confused distribute the sweets in their possession among themselves—it is human nature to do so—and they have so started with restoring halt the cut in their own salaries. This I do not think shows a very good mentality on the part of the Government. They ought to have taken the country into their confidence and to have justified this step by putting before the Legislatures and the country their actual finances which made them take this step. Whenever we ask for any public work of utility to be done it is said that there are no funds; notwithstanding this paucity of funds the Government have taken this vicious step of restoring half of the cut. On principle I do not oppose the restoration even of 10 per cent. because after all we have to respect the covenant agreed to; but we find we are not at present in a position to do so. At a time when this matter was taken up by the Retrenchment Committee concerned there was great opposition by Government. Ultimately Government

[Rai Bahadur Lala Ram Saran Das.]

did decide to accept and adopt the recommendation of the Committee. Of course, the function of the Retrenchment Committee was advisory but at that time an argument was put forward by Government that a covenant cannot be broken. The Committee went into the nature of the covenant and they found out that there was a clause that the services of any officer under the covenant can be terminated at the King's will. It proposed action under that clause and recommended to the Government that this clause be enforced if necessary. Sir, it is our duty to support the Government in the restoration of the cut when funds permit and when there is justification for it and not otherwise. We have all along been expecting that the Lee concessions for the superior services would go. Public opinion was very strong in that matter but now generally the mentality of the Government is to flout public opinion.

Sir, I cannot help saying that the scales of salaries in India, particularly for the superior services, are the highest in the world and whenever this case comes up for discussion before this House, I will be in a position to lay facts and figures before it to prove my statement. I wish, Sir, that the Government should be more considerate and that they should first lighten the burden of the taxpayer which is now unbearable.

12 NOON.

I do not agree with my Honourable friend, Mr. Hossain Imam, that in case the full surcharge is not remitted, a portion of it be remitted for this year. I say, Sir, that when you restore half of the salaries cut, the full surcharge should go.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary): Sir, if I intervene now in the debate it is because I think that the position of Government should be indicated as soon as possible. The Resolution links two things, the cut in the salaries of Government officers and the surcharges in customs and income-tax. Now, it is one of the most essential features of the financial system of this and every other country that what is in the Budget should not be disclosed until the Budget speech. The Honourable Rai Bahadur Lala Ram Saran Das asked in that case why we did not defer the whole thing until we could make one announcement in the Budget speech and declare our intentions as a whole ? The reason is, Sir, that this cut in pay affects not only Central Government officers but the officers of commercial departments such as those in the Railways where separate Budgets have to be introduced, and certain officers under the Provincial Governments, and the Provincial Governments naturally required early information with a view to the regulation of their own financial position. We had therefore no alternative but to make an announcement of our decision as regards the cut in pay, whatever it was to be, some time in advance of our ordinary Budget proposals. But the considerations which apply to that announcement obviously do not apply to the other items of the Budget regarding which there is no reason why we should disclose our proposals in advance and many obvious reasons why we should not. I therefore regret that I cannot follow the Honourable Mr. Hossain Imam in his ingenious prognostications of the budgetary position both of the Central Government and of the Provincial Governments. On the merits of the question I am afraid that we on these Benches can say nothing. We are obviously not in a position to indicate by our vote our view on a matter on which the intentions of Government for obvious administrative reasons have not yet been disclosed and which will be disclosed in so short a time. That being so, we must clearly

oppose the Resolution if it is pressed to a division. Accordingly, Sir, without any desire to burke a discussion on what we all recognise is a most important topic, I would suggest that, in view of the publication of the press communiqué of the 3rd February, a discussion at the present moment can serve no useful purpose and should be reserved until the Budget is published next week. There will then be ample opportunity in the general discussion of the Budget for this House to express its opinion on the picture then unfolded. Not only will the House then be in full possession of our facts and figures but the discussion, whatever form it may take, will be less one-sided because, as I have pointed out, we on these Benches are at present obviously precluded from saying anything on the merits of this or of any other question which has such an important bearing on the Budget so soon before the presentation of the Budget itself. I therefore hope that the Honourable mover will see his way to withdraw his Resolution.

THE HONOURABLE MR. HOSSAIN IMAM : On a point of information, Sir. Does the Honourable Member wish the debate to be postponed and resumed on the next non-official day ? Will he be in a position to reply more explicitly on the points raised ?

THE HONOURABLE THE PRESIDENT : The Honourable Member has already said that he wishes to oppose the motion.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, while moving his Resolution the Honourable the Deputy Leader of my Party, Mr. Hossain Imam, has brought home to this House the justification for the proposed abolition of the surcharge of 25 per cent. imposed by the second Finance Bill of 1931 in such a convincing manner that it does not require any long or elaborate speech on my part to support him. But then the reason for my standing is that the great injustice that was done by the imposition of the 25 per cent. surcharge under the second Finance Act of 1931 which was opposed by the majority of the representatives of the country in the Central Legislature should be done away with by Government. The history of the passing of the second Finance Bill of 1931 is fresh in the minds of the Honourable Members of this House and I need not repeat it or refer to it here. If the cut in the salary could be restored in view of the fact that better days are expected within a short time, as I can understand from the recent pronouncements of responsible high officials, why can not Government then abolish the 25 per cent. surcharge which is such a heavy burden on the people ?

Our Honourable friend the Finance Secretary will be able to enlighten us with the information if the super-tax that was imposd on the people of England in 1910 is yet being levied from them. Super-tax in England was imposed, Sir, so far as I remember, with a view to meeting some financial difficulties. But in India the first imposition of super-tax came into existence in 1917 when Sir William Meyer was at the helm of our financial affairs in India. It was then considered to be a war measure. The war has gone but the economic consequence of the war upon the people of India in the shape of super-tax still remains ! Of course I speak subject to correction when I make this statement.

However, reverting to surcharge, Sir, we all know how in 1931 the 25 per cent. surcharge was imposed to the great dismay and astonishment of the people ; but that was done, so far as we could understand, to meet the financial stringency of our Government. But if now the financial position of Government

[Mr. Jagadish Chandra Banerjee.]

has enabled them to restore the cut in salaries in consideration of the fact that the times appear to be improving and along with them, it is expected, will improve the financial position of Government too, then nothing stands in the way of Government to abolish this surcharge of 25 per cent. imposed by the Finance Act of 1931.

I hope, Sir, the House will be united in demanding the abolition of this burdensome surcharge and Government will accept the Resolution to which I lend my earnest support.

Let me not be misunderstood, Sir. I am not against the restoration of the cut in the salaries ; but what I want is that let the restoration of the cut in the salaries be synchronised with the abolition of the surcharge of 25 per cent. which will be a graceful act on the part of Government.

THE HONOURABLE Mr. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I must confess that the reasons given by the Honourable Mr. Taylor are not at all satisfactory. If the cut was unjustified, the reasons given for not giving any definite opinion on behalf of the Government seems to me hardly satisfactory. I think the Honourable Mr. Miller has done a distinct service in calling attention publicly to the fact that the non-official European community disapproves of this restoration in cut, when no attempt has been made to remove the surcharge of 25 per cent. If I am not mistaken, Sir, the Associated Chambers of Commerce have condemned this attitude on the part of the Government of India to reduce the cut in pay. I am glad that a separate opportunity has been afforded to us to discuss this question on its merits. If it had been included in the Budget, it would have been one among a thousand other things which are generally debated during the time of the Budget. It is very good that an opportunity has been given to this House to focus discussion on what we consider to be a great wrong that has been committed by Government in having partially restored this cut. It was very rightly pointed out that people with fixed salaries have less grievance in the present circumstances than those who have no fixed salaries and who have made large investments in business, and whose business is every day decreasing. It is really surprising that Government should have thought fit to restore 5 per cent. of the cut at this stage. Those who know something of the inner history of this question know—particularly Honourable Members in the Executive Council know it, but they will not disclose it, but it is more or less an open secret—that when the proposal to cut the pay of the services was made, there was a very organised opposition both here and in England. The services here have always advocates in England. Great pressure was put upon the Secretary of State not to agree to this cut. It is nothing but disclosing facts so well known and what is common property in the bazaar that the Secretary of State himself at one time wanted that this 10 per cent. cut in pay should not be made at all, and we know to the credit of the Government of India that the Members of its Executive Council themselves were willing to forego a portion of their pay because they thought that the finances of the country and justice required that that should be done. It is only after very great pressure from the Government of India and a prompt protest that the Secretary of State was induced at all to agree to the cut. The only irresistible conclusion is that the protests of the services, the agitation for the restoration of the cut, has been kept up very actively and that they have been able to get the upper hand. That at least will be the natural impression left on the mind of the public, and I think it is a justifiable impression. My Honourable friend the Finance

Secretary, one of the ablest and cleverest men in debate, has not been able to meet the case. He has taken refuge in the fact that the question can be discussed at the time of the Budget. Whatever the Budget may contain, there is absolutely no justification for the step which the Government have taken. I am very glad Mr. Hossain Imam has brought forward this Resolution separately and that this House has had an opportunity of focusing its attention upon what is considered by all people as quite an unjustified action on the part of the Government.

*THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal : Muhammadan) : Sir, I rise to support the Government in restoring the cut in salaries. I have every sympathy with the servants of the Government, particularly in this matter, and I think that the cut should be restored. I oppose the Resolution.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I am glad my friend Mr. Hossain Imam has brought forward this Resolution. I really cannot understand why the Government should have announced this restoration of 5 per cent. in the cut when they have left alone the surcharge which we all supported in the Finance Bill. Many of us supported this Finance Bill on the ground that it will be only a temporary measure. Now, as matters stand, it is very doubtful whether the Budget for 1933-34 will contain any salvation for these unfortunate people who pay 25 per cent. surcharge. Sir, it would have been more businesslike if nothing had been done and if the whole case is placed before the Legislature. I agree with my Honourable friend Mr. Natesan that the statement of my esteemed friend Mr. Taylor was not of much help to us in this direction. I agree with the latter portion of the speech of Mr. Hossain Imam when he said that while a large number of people are required to pay the 25 per cent. surcharge, it was not fair that you should restore 5 per cent. of the cut in pay alone. It seems to me very unbusinesslike that you should ask one set of people to go on paying and leave alone the other set of people whose incomes are steady and who have no anxiety. I agree with Mr. Miller that Government are not justified in having restored the cut without giving some help to those unfortunate people who pay large income-taxes and surcharges. For these reasons, I am glad that the Honourable Mr. Hossain Imam has brought forward this Resolution, and I hope the House will be unanimous in accepting his recommendation.

*THE HONOURABLE MR. HOSSAIN IMAM : Sir, I am thankful to the House for the great support which I have received from almost all sides. I regret very much that the Finance Department should have taken up this adamant attitude of non-co-operation. The operative part of my Resolution is this, that the cut in salary should not be restored until the surcharges are removed, and it was only in passing that I remarked on the injustice of having restored the cuts now. If the Government had seen its way to accept my Resolution, they would not have disclosed any Budget secrets, and they would have promised only that before restoring the 5 per cent. cut they will consider the advisability of doing away with the two things together. That was the only operative part of my Resolution. When other countries are embarking on cuts in salaries, as I find from the discussions in the French Cabinet, and in view of the fact that we do not know what England is going

* Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

to do in the matter—we have not heard that she has restored the cuts in salaries there—it was premature to do it in the Government of India. This throws a burden not only on the finances of the Government of India of Rs. 4 crores, but also on other public bodies in India and, therefore, before they embark on this scheme again in 1934, I wish that the House will record its unanimous opinion that at least the non-officials are not with the Government in imposing this burden until the finances of the whole of India improve. In this hope, Sir, I press the Resolution to the vote of the House.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"That this Council recommends to the Governor General in Council to restore the cut in salary only when the surcharge of 25 per cent. imposed by the second Finance Bill of 1931 is also abolished."

The question is:

"That that Resolution be adopted."

The Council divided:

AYES—18.

Banerjee, The Honourable Mr. Jagadish Chandra.	Kalikar, The Honourable Mr. Vinayak Vithal.
Basu, The Honourable Mr. Bijay Kumar.	Kameshwar Singh, The Honourable Maharajadhiraja Sir, of Darbhanga.
Buta Singh, The Honourable Sardar.	Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.	Mitha, The Honourable Sardar Saheb Sir Suleman Cassum Haji.
Dutt, The Honourable Rai Bahadur Promode Chandra.	Naidu, The Honourable Mr. Y. Ranganayakalu.
Ghosh Maulik, The Honourable Mr. Satyendra Chandra.	Natesan, The Honourable Mr. G. A.
Gounder, The Honourable Mr. V. C. Vellingiri	Ram Saran Das, The Honourable Rai Bahadur Lala.
Habibullah, The Honourable Nawab Khwaja.	Suhrawardy, The Honourable Mr. Mahmood.
Hossain Imam, The Honourable Mr.	
Jagdish Prasad, The Honourable Rai Bahadur Lala.	

NOES—20.

Bartley, The Honourable Mr. J.	Hallett, The Honourable Mr. M. G.
Charanjit Singh, The Honourable Raja.	Israr Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.	Johnson, The Honourable Mr. J. N. G.
Commander-in-Chief, His Excellency the.	Maqbul Husain, The Honourable Khan Bahadur Sheikh.
Cotterell, The Honourable Mr. C. B.	Miller, The Honourable Mr. E.
Devadoss, The Honourable Sir David.	Murphy, The Honourable Mr. P. W.
Drake, The Honourable Mr. J. C. B.	Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.	Russell, The Honourable Sir Guthrie.
Ghosal, The Honourable Mr. Jyotsnanath.	Shillidy, The Honourable Mr. J. A.
Hafeez, The Honourable Khan Bahadur Syed Abdul.	Taylor, The Honourable Mr. J. B.

The motion was negatived.

STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): Sir, owing to the course events have taken elsewhere, there will be no business to place before the Council till the General Budget is introduced on Tuesday next.

The Council adjourned till 5 P.M. on Tuesday, the 28th February, 1933.